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E.O. 11652:N/A
TAGS: EINV, OTRA
SUBJECT: UN COMMISSION ON TRANSNATIONAL CORPORATIONS: DISCUSSION
ON ACTIVITIES OF CENTRE ON TRANSNATIONAL CORPORATIONS, CODE OF
CONDUCT AND TECHNICAL COOPERATION

REF: (A) VIENNA 4543 (B) VIENNA 4635

1. BEGIN SUMMARY. COMMISSION ON TNCS IN SESSIONS MAY 17-19, DIS-
CUSSED AND FINISHED CONSIDERATION OF ITEM 4, REPORT ON ACTIVITIES OF
THE CENTRE, ITEM 5, CODE OF CONDUCT, ITEM 6, TECHNICAL COOPERATION,
AND ITEM 7(A), COMPREHENSIVE INTEGRATED STUDY ON TNCS. DISCUSSION OF
AGENDA ITEM 8, CORRUPT PRACTICES, POSTPONED TO FOLLOWING WEEK BE-
CAUSE OF LATE ARRIVAL OF DOCUMENTATION, BUT OUR IMPRESSION AT THIS
STAGE IS THAT THIS DISCUSSION, WHEN IT COMES, WILL BEPERFUNCTORY.
DISCUSSION ON 7(B), SOUTHERN AFRICA, WAS BEGUN AND ALMOST COMPLETED
AT SATURDAY SESSION MAY 20; THIS WILLBE REPORTED SEPTTEL, BUT
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AFRICANS--WITH A FEW EXCEPTIONS--GENERALLY TAKING POSITION CALLING
FOR AN END TO ALL ECONOMIC COLLABORATION WITH RACIST REGIMES IN
SOUTHERN AFRICA. RESOLUTION ON THIS SUBJECT ALONG LINES REFTTEL (B)
WILL PROBABLY BE INTRODUCED EARLY IN THIS SECOND CONFERENCE WEEK.

2. ELECTION OF COMMISSION BUREAU WAS COMPLETED WITH GHANA REP AS
RAPPORTEUR, AND INDONESIA, GDR AND JAMAICA REPS ELECTED AS VICE-

CHAIRMEN OF COMMISSION. WITH THREE EXCEPTIONS INVOLVING NON-ATTENDEES

,
EXPERT ADVISORS (INCLUDING U.S. CITIZENS JONES AND JAEGER) WERE RE-
APPOINTED FOR ONE YEAR TERMS. IN SIDE ISSUE, EGYPTIANS AND ISRAELIS
(BOTH OF WHOM ATTENDED AS OBSERVERS TO COMMISSION) HAD EXCHANGE ON
ISRAELI OIL EXPLORATION AND EXPLOITATION ACTIVITIES IN SINAI, BUT IT
APPEARS RESOLUTION ON THIS SUBJECT WILL BE AVOIDED. END SUMMARY.

3. ITEM 4: ACTIVITIES OF CENTRE. DISCUSSION PROVIDED A GENERAL
REVIEW OF ALL ASPECTS OF WORK OF CENTRE, WITH MOST DELEGATIONS
COMMENTING FAVORABLY ON OVERALL IMPACT OF WORK OF CENTRE. EAST
EUROPEANS CONCENTRATED ALSO ON THEME OF MORE CENTRE RESEARCH ON NEGA-
TIVE EFFECTS OF TNCS. USSR SAID THAT DESPITE GOOD WORK OF CENTRE,
PROBLEMS NO LESS ACUTE THAN BEFORE AND RESEARCH NEEDED ON ROLE TNCS
PLAY IN INTENSIFYING THE ARMS RACE. CENTRE SHOULD PARTICIPATE ACTIVE-
LY IN SPECIAL SESSION ON DISARMAMENT, UNCTAD V, AND MORE ACTIVELY IN
CODE OF CONDUCT NEGOTIATIONS. GDR SUGGESTED THAT CENTRE RESEARCH
TNC IMPACT ON INTERNATIONAL RELATIONS, ARMAMENT AND DETENT. UKRAINE
SSR DEL SUPPORTED THIS AND ALSO URGED RESEARCH OF LACK OF TNCS IN-
TERACTION WITH GOVERNMENTS OF DEVELOPING COUNTRIES. HE ALSO SAID THAT
BUDGETARY CONCERNS DEMANDED THAT CENTRE USE EXISTING RESOURCES AND
AVOID HIRING PRIVATE CONSULTANTS.

4. G-77 COMMENTS ON CENTRE'S ACTIVITIES GENERALLY POSITIVE. ARGENTINE
REP EXPRESSED SATISFACTION WITH TECHNICAL ASSISTANCE DONE TOGETHER
WITH LOCAL GOVERNMENTS AND REGIONAL COMMISSIONS, AND WITH CENTRE'S
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COORDINATION OF ITS PROGRAMS WITH OTHER UN AGENCIES. IT ALSO
ADMONISHED CENTRE TO USE ITS BUDGET USEFULLY AND CAREFULLY. JAMAICA
PRAISED CENTRE'S JOINT UNITS PROGRAM AND COORDINATION WITH OTHER UN
ACTIVITIES. PERU REP SUPPORTED INFORMATION SYSTEM PROGRAM AS
FUNDAMENTAL TO INCREASING THE NEGOTIATING CAPACITY OF DEVELOPING COUN-

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TRIES; TO THIS END, HE SAID, CENTRE SHOULD CONTINUE TO COLLECT LEGI-
TIMATE CONFIDENTIAL INFORMATION. KENYA EMPHASIZED IMPORTANT ROLE THAT
TNCS PLAY IN IMPROVING ECONOMIC HEALTH OF DEVELOPING COUNTRIES AND
SAID THAT ADOPTION OF A CODE OF CONDUCT WOULD ENHANCE THIS PROCESS.
HE ALSO PRAISED CENTRE'S TECHNICAL ASSISTANCE PROGRAM AND URGED
MORE FINANCIAL CONTRIBUTIONS TO IT BY MEMBERS.

5. U.S. AND OTHER DEVELOPED COUNTRIES PRAISED CENTRE'S WORK, BUT
NOTED NEED FOR MORE BUDGETARY INFORMATION ON COSTS OF VARIOUS PRO-
GRAMS. JAPAN NOTED THAT VAST SCOPE OF CENTRE'S ACTIVITIES REQUIRED
A MORE OPERABLE DEFINITION OF TNCS. ROMANIA SAID THAT CENTRE'S
RESEARCH PROGRAM WAS AMBITIOUS, BUT WELL-DIRECTED, AND URGED THAT
INDUSTRIALIZATION, BALANCE OF PAYMENTS AND FINANCING BE GIVEN
PRIORITY.

6. IN LENGTHY INTERVENTION, INTERNATIONAL CHAMBER OF COMMERCE

REPRESENTATIVE SAID THAT INFORMATION SYSTEM MUST PROVIDE DATA THAT IS ACCURATE, RELIABLE, COMPARABLE AND RELEVANT. TO THIS END, CENTRE SHOULD COLLECT ONLY PUBLISHED MATERIAL OR MATERIAL MADE AVAILABLE TO ITBY GOVERNMENTS. INFORMATION SHOULD BE VERIFIED BY TNCS AND SOURCES OF INFORMATION SHOULD BE QUOTED. CONFIDENTIAL MATERIAL SHOULD NOT BE INCLUDED AND TNCS SHOULD HAVE ACCESS TO INFORMATION COLLECTED ON THEM BY CENTRE. POTENTIAL COSTS OF SYSTEM APPEARED TO ICC TO BE A SERIOUS CONSTRAINT. ICC REP ALSO EXPRESSED VIEW THAT A VOLUNTARY CODE OF CONDUCT WOULD CARRY EFFECTIVE MORAL WEIGHT, WHEREAS A MANDATORY CODE WOULD PROVE IMPOSSIBLE TO IMPLEMENT. CODE SHOULD BE CONSISTENT WITH SOUND BUSINESS PRACTICES.

7. ISRAELI ACTIVITIES IN SINAI: FOLLOWING DISCUSSION OF CENTRE'S WORK, EGYPTIAN OBSERVER BROUGHT TO ATTENTION OF COMMISSION DOCUMENT LIMITED OFFICIAL USE

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A/33/79, A LETTER FROM EGYPTIAN PERMREP ABOUT ISRAELI OILFIELDS IN SINAI. EGYPTIAN OBSERVER SAID THAT THESE OPERATIONS WERE ILLEGAL AND THAT FIRMS COLLABORATING IN THESE ACTIVITIES WOULD BE HELD RES-

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PONSIBLE. ISRAELI OBSERVER EXERCISED RIGHT OF REPLY, DEFENDING

ISRAELI EXPLOITATION OF PUBLIC NATURAL RESOURCES. EGYPTIAN OBSERVER THEN ASKED COMMISSION TO RECOMMEND THAT TNCS NOT COOPERATE WITH MINORITY FOREIGN OCCUPATION OR COLONIALIST GOVERNMENTS INVESTING IN TERRITORIES UNDER RACIAL DISCRIMINATION AND APARTHEID. COMMENT: APPARENTLY MOST OF G-77 DO NOT FAVOR FORMAL RESOLUTION ON THIS ISSUE, ALTHOUGH THEY ARE GIVING GENERAL SUPPORT TO EGYPTIAN POSITION. AT THIS STAGE FINAL OUTCOME UNCLEAR, BUT IT MAY BE POSSIBLE TO LIMIT COMMISSION'S REPORT TO STRAIGHT FORWARD PRESENTATION OF DEBATE AS IT TOOK PLACE.

8. ITEM 5: CODE OF CONDUCT. DISCUSSION ON CODE WAS SLIGHTLY MORE THAN PERFUNCTORY, BUT LARGELY NON-CONTROVERSIAL, SINCE MOST DELEGATES (INCLUDING BOTH U.S. AND G-77 SPOKESMEN) AVOIDED COMMENTARY ON SUBSTANCE. ALL DELEGATIONS AGREED IN THEIR STATEMENTS THAT WORK ON CODE REPRESENTED THE "HIGHEST PRIORITY" FOR THE COMMISSION AND THAT WORKING GROUP ON THE CODE SHOULD BE AUTHORIZED TO HOLD THREE SESSIONS OF TWO WEEKS EACH BEFORE FIFTH COMMISSION MEETING A YEAR FROM NOW.

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9. G-77 SPOKESMAN (NEIL-JAMAICA) WENT FURTHER, HOWEVER, AND PROPOSED THAT COMMISSION INSTRUCT WORKING GROUP TO COMPLETE ITS WORK BY THE TIME OF THE FIFTH COMMISSION, I.E., COMPLETED DRAFTING OF THE CODE. ALL OECD DELEGATIONS, INCLUDING US, EXPRESSED RELUCTANCE TO MAKE A COMMITMENT TO COMPLETE WORK BY THIS OR ANY OTHER DATE, EMPHASIZING THEIR INTEREST IN DOING SO BUT NOTING MANY DIFFICULT SUBJECTS WHICH STILL REMAINED IN THE CODE. EAST BLOC ALSO AGREED WITH URGENCY OF WORK ON CODE, BUT ALSO STRESSED UNSETTLED ISSUES, IN PARTICULAR THOSE OF DEFINITION OF A TRANSNATIONAL CORPORATION AND THE LEGAL STATUS OF THE CODE.

10. MOST DELEGATIONS AVOIDED COMMENTS ON SUBSTANCE OF A CODE, BUT FRG NOTED THAT ACCEPTABILITY OF CODE RESTED ON "TWIN PILLARS" OF SECTIONS SETTING FORTH RESPONSIBILITIES OF BOTH TRANSNATIONALS AND GOVERNMENTS. EAST EUROPEANS GENERALLY STRESSED PURPOSE OF CODE TO ELIMINATE NEGATIVE EFFECTS OF TNCS, AND GDR REP ALSO NOTED THAT SOVEREIGNTY OF EACH STATE OVER ITS DECISIONS ON INVESTMENT MUST REMAIN

UNAFFECTED BY CODE. UKRAINIAN REP ALSO VOICED A CAUTIONARY NOTE ON "UNUSUAL" PROCEDURE BEING FOLLOWED IN WORKING GROUP OF USING SINGLE TEXT, NOTING THIS MIGHT LENGTHEN TIME REQUIRED FOR SUCCESSFUL RESULT.

11. ITEM 6: TECHNICAL COOPERATION. CENTRE'S REPORT WELL-RECEIVED BY MOST DELEGATIONS. IN ADDITION, SWITZERLAND ANNOUNCED A CONTRIBUTION TO THE PROGRAM OF \$200,000 AND SWEDEN 1,500,000 KRONER. CANADA SAID IT WOULD ALSO MAKE CONTRIBUTION, WITH USE KEYED TO IDENTIFICATION OF MUTUALLY ACCEPTABLE PROJECTS, AND U.K. SAID IT WAS SERIOUSLY CONSIDERING MAKING A CONTRIBUTION. INDIA, LATER SUPPORTED BY U.S. AND SEVERAL OTHER DELEGATIONS, TOOK INITIATIVE IN SUGGESTING

THAT DEVELOPING COUNTRIES SHOULD INCREASE THEIR FINANCIAL CONTRIBUTIONS TO THE CENTRE, AND PARTICULARLY THAT GOVERNMENTS SHOULD BEAR MORE OF THE COST OF WORKSHOPS WHICH THEY ATTEND. MANY COUNTRIES LIMITED OFFICIAL USE

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NOTED THAT THEY LOOKED FORWARD TO AN EVALUATION OF THE EFFECTIVENESS OF THE PROGRAM AT THE COMMISSION'S FIFTH SESSION.

12. U.S. REP SUPPORTED TECHNICAL COOPERATION ACTIVITIES, NOTING U.S. HAD LONG ASSOCIATION WITH SUCH ACTIVITIES DATING BACK TO IMMEDIATE POST-WORLD WAR II PERIOD. HE SUGGESTED THAT CENTRE CONCENTRATE ITS RESOURCES ON AIDING THE LESS DEVELOPED OF DEVELOPING COUNTRIES. HE ALSO REITERATED THAT TECHNICAL COOPERATION SHOULD NOT INVOLVE PARTICIPATION IN NEGOTIATIONS. EXPERT ADVISOR (PAUL) PRESENTED A CONFERENCE ROOM PAPER WHICH SUGGESTED TRAINING PROGRAM BY CENTRE FOR TRAINERS AND THIS IDEA RECEIVED CONSIDERABLE SUPPORT. ZAMBIA AND NIGERIA SAID THAT CENTRE SHOULD BE DEEPLY INVOLVED IN TRAINING PROGRAM FOR FUTURE NAMIBIAN GOVERNMENT AND SAID THESE ACTIVITIES SHOULD BE UNDERTAKEN IN CONJUNCTION WITH SWAPO. GHANA ENTHUSIASTICALLY DEFENDED PARTICIPATION BY CENTRE EXPERTS IN NEGOTIATIONS BETWEEN DEVELOPING COUNTRIES AND TNCS. BUT EXECUTIVE DIRECTOR SAHLGREN RESPONDED TO AN OVERWHELMING NUMBER OF DEMANDS THAT THE CENTRE REFRAIN FROM INVOLVEMENT IN DIRECT NEGOTIATIONS BY STATING FLATLY THAT THIS WAS CENTRE POLICY AND WOULD REMAIN SO. FRG REP RAISED QUESTION OF LIABILITY OF CENTRE FOR DAMAGES TO TNCS RESULTING FROM ADVICE AND ASSISTANCE GIVEN IN CONNECTION WITH CONTRACT NEGOTIATIONS. ARGENTINA, ALGERIA AND MEXICO STRONGLY DISPUTED THIS VIEW, AND NOTED ISSUE OF DAMAGES TO DEVELOPING COUNTRIES FROM TNCS WOULD BE EQUALLY RELEVANT IF ISSUE WERE PURSUED.

13. ISSUE OF REAPPOINTMENT OF EXPERT ADVISORS SURFACED UNEXPECTEDLY ON FRIDAY, MAY 19, WITH EXECUTIVE DIRECTOR SAHLGREN PRESSING FOR DECISION ON RENEWAL OF MANDATE, SINCE PRESENT MANDATE EXPIRES AT THE END OF THE CURRENT COMMISSION SESSION. SEVERAL OPTIONS RE THIS GROUP WERE EXPLORED BY THE DEVELOPED COUNTRIES IN INTERNAL DISCUSSION,

WITHOUT ANY GENERAL AGREEMENT ON HOW TO PROCEED. SOME SUGGESTIONS WERE A ROTATION SYSTEM, DROPPING NON-ATTENDEES, A COMPLETE ROLLOVER OF THE LIST, ETC. ATA HEADS OF DELEGATION MEETING OF ALL MEMBERS OF THE COMMISSION MAY 19, SAHLGREN PROPOSED ADDING THREE NEW MEMBERS TO REPLACE THOSE WHO HAD DROPPED OUT AND RENEWING THE MANDATE OF THE LIMITED OFFICIAL USE

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EXPERTS. THE HEADS OF DELEGATION AGREED THAT THERE SHOULD BE SOME

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STANDARDS OF ATTENDANCE AND PARTICIPATION, THAT A LARGER CHOICE MIGHT
HAVE TO BE PRESENTED, AND AGREED TO THE ELECTION OF THE NEW EXPERT
ADVISORS AND REAPPOINTMENT OF THE OTHERS, BUT FOR A PERIOD OF ONE
YEAR ONLY. DURING THAT YEAR, REVIEW OF THE PROCESS SHOULD TAKE
PLACE. AMONG OTHERS, U.S. CITIZENS GILBERT JONES AND ELIZABETH JAEGER

WERE REAPPOINTED. THE NEW MEMBERS ARE: JOSE MERCED GONZALES
(MEXICO; LABOR REP); SIR ARTHUR LEWIS (WEST INDIES; ECONOMIST); AND
TAJA ZAKI (EGYPT; BUSINESSMAN). WOLF

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